PUBLIC TRANSPORTATION

Wichita Transit has been financially stressed in recent years; an estimated $2.9 million in additional local support is required for Wichita Transit to operate sustainably without an over-reliance on grant funds to provide service. Since financial issues have been identified, there has been a public interest in expanding transit service, rather than reducing service or raising fares. This interest has been raised at public hearings, through the Transit Community Outreach Study, and during ACT ICT. Staff has identified five options to enhance service. New ongoing local funding of up to $9.1 million would be required, depending on the level of additional service provided. Smaller one-time amounts would be required for capital expenditures, ranging from $.6 million to $2.7 million.

Background

Wichita's bus system was a private company until declining population density and expanded automobile ownership diminished ridership levels to the point that transit services were transferred to the City of Wichita in 1967. Since that time, bus service levels have eroded, while paratransit service was added. Today, Wichita Transit primarily serves transit-dependent populations, such as individuals with disabilities, people who do not have access to a driver's license, or those who do not own an automobile.

There is a latent demand for public transportation that is not met by the present system. While changing attitudes about automobile ownership and driving are evident among the younger population, schedules and route coverage limit expanded ridership. To date, the hub-and-spoke system has limited Wichita Transit from playing a role in adding jobs and residents downtown or creating links between employers and employees in the area workforce.

Wichita Transit revenue sources include a transfer from the City of Wichita General Fund, passenger fares, Kansas Department of Transportation (KDOT) grants, and Federal Transit Agency (FTA) grants. FTA grants are about 40% of operating support, City of Wichita support represents 33%, farebox revenue is about 17%, and KDOT is about 10%. City of Wichita General Fund support has remained flat despite cost increases. The farebox revenue is typical for an agency of its size. The KDOT award has increased under the T-WORKS program, and FTA guidelines have allowed for greater flexibility in spending grant awards.

Federal Grant Funding

Wichita Transit is spending more grant dollars annually than are being awarded. Each transit agency's FTA apportionment is based on population, population density, and revenue miles. The total federal budget for the FTA has increased, but Wichita Transit's award for FY2014 was reduced by $382,413. Additionally, the FY 2015 award from KDOT has been reduced by $75,000. These funding reductions are directly related to service reductions that have resulted in fewer revenue miles and rides. Compared to other systems competing for FTA funds, revenue miles are proportionally lower as a result of past fare increases and service cuts. Wichita Transit provides 3.9 revenue miles per capita, compared to the benchmark for similar communities of 6.97 revenue miles per capita. The FTA funding decrease impairs Wichita Transit's ability to sustain operations. In addition, the decreasing FTA allocation, which may lead to additional service reductions, could further decrease revenue miles, thereby decreasing future FTA allocations. This downward spiral could be detrimental to the future funding of Wichita Transit.

The annual federal funding provided to Wichita Transit is the only source of predictable federal support. This funding is available for either operating or capital costs. Typically, funds are budgeted annually to support a combination of operating expenses and capital needs, the most significant being bus replacement. In addition, unspent amounts can be carried forward. Currently, Wichita Transit has $2.5 million in carry forward funds. However, Wichita Transit uses all of its allocation to support operating expenses. In 2015, Wichita Transit anticipates receiving $4.8 million in federal apportionment funds (see Table 1). An estimated $5.4 million is anticipated to be used in 2015 to operate the Transit system (by spending down carryover balances), meaning the system is structurally imbalanced by $.6 million. In addition, Wichita Transit has significant capital funding needs; needs that are also funded from the federal apportionment. Using the apportionment to fund operating costs is starving funding needed for capital replacements.

Table 1: Operating Budget Structural Imbalance	
Federal Apportionment	$4.8 million
Operating Budget Spending	($5.4 million)
Structural Imbalance	($0.6 million)
Capital Funding Needs	($2.3 million)
Total Funding Deficit	**($2.9 million)**
Note: This is not inclusive of all current Transit Fund operating revenues and expenditures.	

Capital funding needs vary annually, based on the age of the rolling stock and the needs of vans and facilities. In addition, other grant funds will be received occasionally for specific capital purchases. Typically, funds are stockpiled in years of lower capital funding needs, and then expended in years in which significant bus purchases are required. Currently, twenty buses are in need of replacement, costing over $8 million. With van replacements and annual building maintenance needs, staff estimates $2.3 million should be reserved annually for capital needs. While actual capital costs will vary year to year, and the opportunity to secure additional grant funding for capital is often pursued, the practice of not reserving federal funds for capital needs (which is what is occurring in 2015) is not sustainable.

Complicating the financial outlook for Wichita Transit is the use of CMAQ grant funds for route enhancements. Currently, approximately $.7 million in grant funds are used for west side routes. These grants will expire in April 2017. At that time, to maintain that service level, additional local funds will be needed.

In summary, the current transit service, system design and financing are problematic. Current route configurations, service hours, and fares can be challenging for all but the most dedicated riders, who are most often transit-dependent. Stop-gap financing (previous City loans and the use of federal grant funds) and fare increases in recent years were short term answers, but not long term solutions. Funding the current system would require an estimated $2.9 million in additional local funds annually. Providing a sustainable service level reflective of the results of citizen engagement efforts and generating improved

outcomes will require an additional increased local funding commitment, comparable to the local commitment to public transportation found in other communities.

Service Level Alternatives

As a result of the Transit Community Outreach Study, five service improvement scenarios have been identified in addition to the current system. Enhancing service levels will require additional local resources. In addition, the enhancements would only be possible if current service levels were sustainable, which as noted previously, would require an estimated $2.9 million annually in additional funding. Based on the cost structure of Transit, service can be provided for approximately $88 per hour. Regional express and/or local service would not require additional operating support or capital investment from the City of Wichita, as subsidies would be provided by participating jurisdictions. Implementing the baseline sustainable system would require the greatest increase in local support, at $3.7 million per year. Presumably, the other options would build upon the baseline sustainable system option. The impact of each scenario is summarized in Table 2, with additional detail provided in Table 2A in the appendix.

Table 2: Additional Transit Service Level Options

	Additional Operating Funding	Additional Rides	Additional Buses
1. Baseline Sustainable Service	$3.7 million	638,000	16
2. Improved Peak Hour Service	$1.4 million	405,000	14
3. Evening Bus Service	$2.4 million	331,156	n/a
4. Sunday Bus Service	$1.6 million	224,100	n/a
5. Regional Express Service	n/a	147,000	10
Total of All Enhancements	**$9.1 million**	**1,745,256**	**40**

Note: A more detailed presentation of this data is provided in Table 2A in the appendix.

Baseline Sustainable System: Introducing a modified grid system to improve connectivity, eliminate transfers, and shorten travel times. This scenario results in the most dramatic change to the route map and would require 16 more buses in operation during peak service than the current system.

Improved Peak Hour Service: Bus service during rush hour on several local and connector routes would be improved from 30 minute service intervals to 20 minute service intervals.

Evening Bus Service: Currently, bus service ends at 7 pm on weekdays. In this scenario, bus service would be extended from 7 pm until 11 pm on weekdays. Service after 7 pm would operate every 60 minutes and connect at the Transit Center, with the exception of some cross-town routes.

Sunday Service: Currently, Wichita Transit does not operate on Sundays. This scenario would provide Sunday service, operating on many local and connector routes beginning at 9 am and ending at 6 pm. Service would operate every 60 minutes.

Regional Express and Local Service: Express bus service from Andover, Derby, Park City and West Wichita or Goddard would be introduced. Local service would also be extended to the City of Maize and Haysville. Presumably these costs would be funded by participant contributions.

Additional Capital Costs

In addition to operating costs, several of the scenarios would require capital expenditures for new buses. These capital expenditures are generally one-time expenditures, and presumably would be mostly financed with federal apportionment funds or other grant funds, if available. As noted previously, since the federal apportionment formula includes revenue miles as a factor, system enhancement would most likely increase the apportionment, providing additional funds for capital costs. Assuming grant funds are available, a local match of 17% would generally be required. In addition, the number of buses needed for each service level option (as shown in Table 3) is 20% greater than the number of additional buses providing service (shown on Table 2), to provide capacity for spare buses.

The baseline sustainable scenario would require the addition of nine buses to the current fleet (shown in Table 3, with additional details provided in Table 3A in the appendix). The cost of these buses is estimated at $3.8 million, with a the presumed local portion totaling $0.7 million. Improving peak service would require the purchase of 17 additional buses, since service intervals would be reduced from 30 minutes to 20 minutes. The bus purchase would require local funds of $1.2 million, with an additional $6.0 million in grant funds. Adding evening service and Sunday service would not require the purchase of any more buses than in the baseline sustainable system. Implementing regional express and/or local service would require the purchase of 12 additional buses, with a grant cost of $4.2 million, and local funds of $0.9 million, but the local funds would be recovered by the participating partners through a contractual agreement.

Table 3: Capital Needs Associated with Transit Service Options

	Total Cost	Additional Local Funds	Grant Funds	Additional Buses
1. Baseline Sustainable Service	$3.8 million	$0.7 million	$3.1 million	9
2. Improved Peak Hour Service	$7.2 million	$1.2 million	$6.0 million	17
3. Evening Bus Service	$0	$0	$0	0
4. Sunday Bus Service	$0	$0	$0	0
5. Regional Express Service	$5.1 million	$0.9 million	$4.2 million	12
Total of all Enhancements	**$16.1 million**	**$2.8 million**	**$13.3 million**	**38**

Note: A more detailed presentation of this data is provided in Table 3A in the appendix. The number of additional buses includes those required for the service (shown on Table 2) as well spare buses. The number of buses providing service in item 1 is 16 (table 2); however, there are currently 10 extra buses not being used, so only six new buses (plus 3 spares) would be required.

Summary - Funding Gap

Increased local operating support is necessary to stabilize the transit system. Wichita Transit has barely been able to balance expenditures and revenues, and in recent years has been reliant on Federal grant funding, as well as stop gap loans from the City to continue operations. Without additional support, the current service level can only be maintained in the short term. Eventually, Wichita Transit will be facing a choice of reducing service further due to insufficient local funding or to continue utilizing federal funds for operating costs, increasing the likelihood of significant unfunded capital replacement costs in the future and decreased system reliability as equipment ages. At some point, the lack of capital replacement

would require buses to be removed from service, and the current service level would be further diminished. For the current system to be financially sustainable, and to ensure that federal funds are reserved for capital replacement costs, local operating support should be increased by $2.9 million per year. Currently, General Fund support of $3.5 million is provided annually.

Though there are three-year CMAQ grants that can be used to improve routes and service frequencies, implementing these changes is unsustainable without securing a funding source for ongoing operations. To implement all of the service enhancement options, an additional $9.1 million would be needed annually, plus an additional $2.8 million in the first year for matching capital grants. Funding at a level to implement the baseline sustainable system and/or the additional options such as improved peak service, evening service, or Sunday service would result in a greater volume of riders as the system becomes more convenient and competitive with other modes of travel. New riders would be more likely to pay full fare, rather than the special (reduced) fare (increasing Transit Fund revenues). System enhancements would also likely increase annual federal apportionments. A greater percentage of trips would be to and from work, especially to downtown or employment nodes.

Table 4: Transit Service Funding Gap Summary (Additional Local Funding Requirements)

	Operating Funds[2]	Capital Funds[3]	Total Local Funds
Current Sustainable System[1]	$2.9 million	n/a	$2.9 million
1. Baseline Sustainable Service	$3.7 million	$0.7 million	$4.4 million
2. Improved Peak Hour Service	$1.4 million	$1.2 million	$2.6 million
3. Evening Bus Service	$2.4 million	n/a	$2.4 million
4. Sunday Bus Service	$1.6 million	n/a	$1.6 million
5. Regional Express Service	n/a	$0.9 million	$0.9 million
Total of all Enhancement	**$12.0 million**	**$2.8 million**	**$14.8 million**

Note: Operating funds represents an annual local commitment; Capital funds would be a non-recurring commitment.
[1] From Table 1; [2] From Table 2; [3] From Table 3

Service enhancements would be expected to generate outcomes, including increased citizen satisfaction with the level of transit services, improved financial sustainability, and increased ridership, particularly ridership supporting downtown and economic development purposes. Several measurements (listed below) would be useful in measuring progress based on increased transit funding.

Annual Bus Passenger count: Would increase 33% for Baseline Sustainable System, plus 12% to 21% for each of the additional options.

National Citizen Survey: Percentage of respondents rating "Ease of Bus Travel" as "Excellent" or "Good." Increase 5% every two years from 31% in 2012 to 46% in 2018.

Fund balance as a percentage of expenditures over 10%, and annual operating margin greater than $0.

Percentage of trips where purpose is to travel to/from work—based on on-board surveys.

Percentage of riders paying full fares as compared to special fares.

Revenue miles per capital—6.2 if all options are implemented.

Appendix

Table 2A: Transit Service Enhancement Options and Operating Costs

	Current System	Baseline Sustainable System	Improved Peak Service	Expanded Evening Service	Sunday Service	Regional Express/ Local Service	Total of Enhancements
Peak Buses	32	48	14			10	72
Annual Hours	101,240	145,242	21,358	23,654	16,008	15,800	323,302
Annual Miles	1,520,000	2,178,000	320,400	354,800	240,120	442,400	5,055,720
Total Annual Operating Cost	$13,608,160	$17,920,356	$1,879,504	$2,696,556	$1,824,912	$1,390,400	$25,711,728
Annual Rides	1,947,000	2,585,000	405,000	331,156	224,100	147,000	3,692,256
Farebox Revenue	$1,810,000	$2,404,101	$435,400	$356,000	$240,900	$294,000	$3,730,401
Additional Operating Support	$2,933,641	$3,718,095	$1,444,104	$2,340,556	$1,584,012	Not Applicable	$9,086,767
Cost /Ride	$6.99	$6.93	$4.64	$8.14	$8.14	$9.46	$6.96
Passengers/ Hour	19.2	17.8	19.0	14.0	14.0	9.3	

Table 3A: Transit Service Enhancement Options and Capital Costs

	Current System	Baseline Sustainable System	Improved Peak Service	Evening Service	Sunday Service	Regional Express/ Local	Total
Peak Buses	32	48	62	48	48	58	72
Spare Buses	7	10	13	10	10	12	15
Total Buses	39	58	75	58	58	70	87
Additional Buses Needed	0	9*	17			12	38
Capital Cost	$0	$3,825,000	$7,225,000			$5,100,000	$16,150,000
Grant Funding	$0	$3,174,750	$5,996,750			$4,233,000	$13,404,500
Local Funding	0	$650,250	$1,228,250			$867,000	$2,745,500

** Currently, there are ten extra buses in the fleet due to recent service reductions. Therefore, nine buses, rather than nineteen buses, would need to be purchased to implement the baseline sustainable system.*